

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

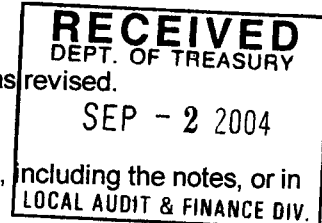
<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Corwith	<b>County</b> Otsego
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> July 27, 2004	<b>Date Accountant Report Submitted to State:</b> July 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF CORWITH  
Otsego County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

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## INDEPENDENT AUDITOR'S REPORT

July 27, 2004

To the Township Board  
Township of Corwith  
Otsego County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Corwith, Otsego County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Corwith's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Corwith, Otsego County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Corwith, Otsego County, Michigan. Such information, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF CORWITH  
Otsego County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS    EXHIBIT A  
March 31, 2004

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	156 211 58	1 480 85	-	-
Taxes receivable	6 918 35	-	-	-
Due from other funds	717 92	-	-	-
Land and improvements	-	-	51 801 00	-
Buildings and improvements	-	-	197 289 26	-
Equipment	-	-	121 526 69	-
Fire hall and land	-	-	63 096 00	-
Amount to be provided for retirement of general long-term debt	-	-	-	47 072 03
Total Assets	<u>163 847 85</u>	<u>1 480 85</u>	<u>433 712 95</u>	<u>47 072 03</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Deposits	1 585 00	-	-	-
Due to other funds	-	717 92	-	-
Due to others	-	762 93	-	-
Contract payable	-	-	-	-
Total liabilities	<u>1 585 00</u>	<u>1 480 85</u>	<u>-</u>	<u>47 072 03</u>
Fund equity:				
Investment in general fixed assets	-	-	433 712 95	-
Fund balances:				
Unreserved:				
Undesignated	162 262 85	-	-	-
Total fund equity	<u>162 262 85</u>	<u>-</u>	<u>433 712 95</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>163 847 85</u>	<u>1 480 85</u>	<u>433 712 95</u>	<u>47 072 03</u>

The accompanying notes are an integral part of these financial statements.

Total  
(Memorandum  
Only)

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157 692 43

6 918 35

717 92

51 801 00

197 289 26

121 526 69

63 096 00

---

47 072 03

---

646 113 68

1 585 00

717 92

762 93

---

47 072 03

---

50 137 88

433 712 95

---

162 262 85

---

595 975 80

---

646 113 68

TOWNSHIP OF CORWITH  
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Type</u>
Revenues:	<u>General</u>
Property taxes	55 263 64
Other taxes	25 467 75
State revenue sharing	76 209 00
Charges for services:	
Tax collection fees	21 223 77
Cemetery	4 229 80
Sanitation	11 547 75
Interest	3 932 81
Rents	3 051 04
Miscellaneous	<u>10 928 14</u>
Total revenues	<u>211 853 70</u>
Expenditures:	
Legislative:	
Township Board	23 159 90
General government:	
Supervisor	4 781 25
Elections	394 25
Assessor	16 269 97
Clerk	14 132 13
Audit and legal	4 409 50
Board of Review	1 000 00
Treasurer	16 847 04
Building and grounds	20 436 28
Cemetery	12 648 68
Public safety:	
Fire protection	39 900 00
Planning Commission	5 453 30
Public works:	
Highways and streets	7 717 16
Street lighting	763 99
Sanitation	<u>16 861 21</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Type</u>
	<u>General</u>
Expenditures: (continued)	
Other:	
Insurance	5 297 00
Capital outlay	3 442 45
Debt service	<u>8 870 38</u>
Total expenditures	<u>202 384 49</u>
Excess of revenues over expenditures	9 469 21
Fund balance, April 1	<u>152 793 64</u>
Fund Balance, March 31	<u><u>162 262 85</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF CORWITH  
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	53 976 00	55 263 64	1 287 64
Other taxes	25 467 75	25 467 75	-
Licenses and permits	140 00	-	(140 00)
State revenue sharing	70 000 00	76 209 00	6 209 00
Charges for services:			
Tax collection fees	21 750 00	21 223 77	(526 23)
Cemetery	4 200 00	4 229 80	29 80
Sanitation	13 000 00	11 547 75	(1 452 25)
Interest	2 000 00	3 932 81	1 932 81
Rents	3 000 00	3 051 04	51 04
Miscellaneous	425 00	10 928 14	10 503 14
Total revenues	<u>193 958 75</u>	<u>211 853 70</u>	<u>17 894 95</u>
Expenditures:			
Legislative:			
Township Board	31 700 00	23 159 90	(8 540 10)
General government:			
Supervisor	6 025 00	4 781 25	(1 243 75)
Elections	5 090 00	394 25	(4 695 75)
Assessor	21 428 00	16 269 97	(5 158 03)
Clerk	15 749 00	14 132 13	(1 616 87)
Audit and legal	14 700 00	4 409 50	(10 290 50)
Board of Review	1 500 00	1 000 00	(500 00)
Treasurer	18 499 00	16 847 04	(1 651 96)
Building and grounds	78 832 53	20 436 28	(58 396 25)
Cemetery	21 293 00	12 648 68	(8 644 32)
Public safety:			
Fire protection	39 900 00	39 900 00	-
Planning Commission	20 440 00	5 453 30	(14 986 70)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C  
Year Ended March 31, 2004 Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Public works:			
Highways and streets	21 854 58	7 717 16	(14 137 42)
Street lighting	1 000 00	763 99	(236 01)
Sanitation	25 250 00	16 861 21	(8 388 79)
Other:			
Insurance	5 300 00	5 297 00	(3 00)
Capital outlay	4 025 00	3 442 45	(582 55)
Debt service	9 000 00	8 870 38	(129 62)
Total expenditures	<u>341 586 11</u>	<u>202 384 49</u>	<u>(139 201 62)</u>
Excess (deficiency) of revenues over expenditures	(147 627 36)	9 469 21	157 096 57
Fund balance, April 1	<u>147 627 36</u>	<u>152 793 64</u>	<u>5 166 28</u>
Fund Balance, March 31	<u>-</u>	<u>162 262 85</u>	<u>162 262 85</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Corwith, Otsego County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Corwith. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt, which is not recorded in proprietary and trust funds.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenues that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .9509 mills and the taxable value was \$58,143,732.00.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>157 692 43</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	141 562 71
Uninsured and Uncollateralized	<u>25 096 19</u>
Total Deposits	<u>166 658 90</u>

The Township of Corwith did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	51 801 00	-	-	51 801 00
Buildings and improvements	195 264 26	2 025 00	-	197 289 26
Equipment	120 109 24	1 417 45	-	121 526 69
Fire hall and land	<u>63 096 00</u>	<u>-</u>	<u>-</u>	<u>63 096 00</u>
Totals	<u>430 270 50</u>	<u>3 442 45</u>	<u>-</u>	<u>433 712 95</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
Contract payable	53 098 66	-	6 026 63	47 072 03
Total	53 098 66	-	6 026 63	47 072 03

Note 5 – Contract Payable

On September 26, 2001, the Township obtained a \$60,000.00 loan from First National Bank of Gaylord to fund an installment purchase contract for improvements to the township hall. The loan is repayable in one hundred and eighty monthly payments in the amount of \$492.85 including interest at the rate of 5.50% per annum. As of March 31, 2004, the principal balance outstanding on the loan was \$47,072.03 and it is recorded in the General Long-Term Debt Account Group.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$1,759.06.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Building Permits

The Township of Corwith does not issue building permits. Building permits are issued by the County of Otsego.



TOWNSHIP OF CORWITH  
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 10 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>717 92</u>	Current Tax Collection	<u>717 92</u>
Total	<u>717 92</u>	Total	<u>717 92</u>

Note 11 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Salaries and per diem	4 950 00
Benefits	1 759 06
Payroll taxes	3 771 06
Supplies	5 196 74
Education	587 59
Telephone	1 416 92
Printing and publishing	2 742 49
Miscellaneous and dues	<u>2 736 04</u>
	<u>23 159 90</u>
Supervisor:	
Salary	4 725 00
Deputy	<u>56 25</u>
	<u>4 781 25</u>
Elections:	
Mileage and supplies	<u>394 25</u>
Assessor:	
Wages	14 628 00
Mileage	240 48
Supplies	<u>1 401 49</u>
	<u>16 269 97</u>
Clerk:	
Salary	12 999 00
Deputy	<u>1 133 13</u>
	<u>14 132 13</u>
Audit and legal	<u>4 409 50</u>
Board of Review:	
Wages	<u>1 000 00</u>
Treasurer:	
Salary	12 999 00
Deputy	1 953 44
Wages – summer	560 00
Supplies	1 261 60
Miscellaneous	<u>73 00</u>
	<u>16 847 04</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Building and grounds:	
Salary	4 560 00
Supplies	1 700 53
Administrator	1 407 00
Telephone	351 90
Utilities	4 551 55
Repairs and maintenance	<u>7 865 30</u>
	20 436 28
Cemetery:	
Salary and wages	7 781 00
Administrator	1 407 00
Supplies	1 161 82
Utilities	113 43
Repairs and maintenance	<u>2 185 43</u>
	12 648 68
Fire protection:	
Contracted services	<u>39 900 00</u>
Planning commission:	
Wages	960 00
Contracted services	<u>4 493 30</u>
	5 453 30
Highways and streets:	
Maintenance	<u>7 717 16</u>
Street lighting:	
Utilities	<u>763 99</u>
Sanitation:	
Wages	2 464 75
Supplies	127 18
Repairs and maintenance	<u>14 269 28</u>
	16 861 21
Insurance	<u>5 297 00</u>
Capital outlay	<u>3 442 45</u>
Debt service	<u>8 870 38</u>
Total Expenditures	<u>202 384 49</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>950 20</u>	<u>1 578 753 40</u>	<u>1 578 222 75</u>	<u>1 480 85</u>
Total Assets	<u>950 20</u>	<u>1 578 753 40</u>	<u>1 578 222 75</u>	<u>1 480 85</u>
<u>Liabilities</u>				
Due to other funds	27 74	66 900 78	66 210 60	717 92
Due to others	<u>922 46</u>	<u>1 511 852 62</u>	<u>1 512 012 15</u>	<u>762 93</u>
Total Liabilities	<u>950 20</u>	<u>1 578 753 40</u>	<u>1 578 222 75</u>	<u>1 480 85</u>

TOWNSHIP OF CORWITH  
Otsego County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>950 20</u>
Cash receipts:	
Property tax	
Interest	1 578 071 51
Total cash receipts	<u>681 89</u> <u>1 578 753 40</u>
Total beginning balance and cash receipts	<u>1 579 703 60</u>
Cash disbursements:	
Township General Fund	
Village of Vanderbilt	66 210 60
Otsego County	624 08
Vanderbilt Area School District	708 758 56
C.O.P. Intermediate School District	707 768 59
State of Michigan	92 748 91
Refunds	731 20
Total cash disbursements	<u>1 380 81</u> <u>1 578 222 75</u>
Cash in Bank – End of Year	<u>1 480 85</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

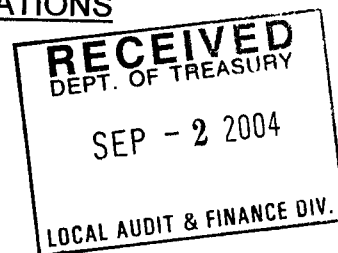
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BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 27, 2004

To the Township Board  
Township of Corwith  
Otsego County, Michigan



We have audited the financial statements of the Township of Corwith, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Corwith in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Corwith  
Otsego County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Corwith  
Otsego County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Corwith will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants